

Hangzhou Steam Turbine Co., Ltd. Board of Directors Reports in 2021

The members of the Board and the Company acknowledge being responsible for the truthfulness, accuracy, and completeness of the announcement. Not any false record, misleading statement or significant omission carried in this announcement.

In 2021, in strict accordance with laws and regulations such as the Company Law, Securities Law, Stock Listing Rules of Shenzhen Stock Exchange, and Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange, as well as the Articles of Association, the Board of Directors of the company is responsible to all shareholders, diligently and effectively exercising its functions and powers, conscientiously implementing the resolutions of the shareholders' meeting, diligently carrying out all the work of the Board of Directors, and promoting the improvement of corporate governance and the development of all business operations of the company. The main work of the Board of Directors in 2021 is reported as follows:

I. Business operations of the company in 2021

In 2021, the annual operating income was RMB 5,788,288,600, the total profit was RMB 832,547,500 and the net profit was RMB 727,247,800, of which the net profit attributable to shareholders of listed companies was RMB 649,992,500. Compared with the same period of last year, the operating income increased by 21.54%, the total profit increased by 25.93%, the net profit increased by 25.49% and the net profit attributable to shareholders of listed companies increased by 36.48%. The main work carried out during the reporting period and the operating results obtained are as follows:

1. Focus on market

During the reporting period, in the face of the severe market situation and fierce competition pattern under the "double carbon" policy, the Company stabilized the industry-driven market by strengthening "sales around the front" and deepening the plate linkage mechanism. Its typical projects included 7 sets of units in Ningxia Baofeng Phase III coal-to-methanol project, caprolactam project of Sinopec Baling Petrochemical Company and the oil refining to chemical supporting project of Sinopec Anqing Petrochemical. By seizing the investment opportunity of thermal power generation, it strove to

compete for the industrial power generation market, and the contract undertaking in the power generation field increased compared with the same period of last year, and it was successively awarded with the Smart Energy Center Project of Yiwu High-tech Zone of BR Energy, the 50MW Back Pressure Power Generation Project of Jiahua Energy, the Low-voltage Waste Heat Power Generation Project of Pengwei Petrochemical, etc. By accurately predicting the industry background of "refining control and chemical increase", it found out the development direction of new material market and opened up new markets. It gained gradual improvement in gas turbine market, and it successfully signed contract on Huadian Jiangdu Natural Gas Distributed Energy Project, Haining Guangyao Natural Gas Distributed Energy Project and Asia Symbol Paper Self-provided Power Station Project, etc.

2. Digital empowerment

During the reporting period, the Company continued to promote intelligent construction and digital transformation of the enterprise, continuously optimized MES system to help refine production management, promoted ERP construction in an all-round way, determined the ERP selection scheme according to the Company's "tailor-made" single piece and small batch production characteristics, completed the blueprint of digital factory construction in manufacturing base, completed the preliminary scheme of digital factory construction, put the industrial internet platform and service management platform into trial operation, fully put the new OA system into use, put the system flow and management platform online on a large scale, continuously optimized the rapid collaborative development platform (BCP) with independent intellectual property rights, and deeply integrated with OA to realize the integration of office flow and business flow.

3. Transformation and upgrading

During the reporting period, the implementation of the Company's "Key Account Management System Based on Equipment Lifecycle Management" achieved a series of achievements, and it successively renewed the strategic cooperation agreement with Shenyang Blower, signed the strategic and long-term cooperation agreement with Hengli Petrochemical, further consolidated the relationship with various engineering general contracting companies, preliminarily established the key account training system, and obtained good market feedback for the first round of customer training. In order to realize the transition to service-oriented manufacturing and build the development direction of "big service", during the reporting period, the Company completed the construction of "two-line" service

team, focusing on breaking through modules such as "O&M training, technical training, inspection and diagnosis". It established Hangzhou Steam Turbine New Energy Co., Ltd., and set up the "Hangzhou Steam Turbine and Siemens Energy Joint Technology Center" in cooperation with Siemens Energy, which marks its comprehensive engagement in the field of distributed energy, thermoelectric transformation and new energy.

4. Strengthen enterprise with talents

During the reporting period, the Company promoted the implementation of the human resources promotion project from three aspects: strengthening the human resources foundation, improving the efficiency of human resources management and optimizing the human resources management mechanism. It gradually established a performance-oriented talent evaluation model, strove to build a human resource management system based on value creation, completed the evaluation work of eight "company-level skill master studios" such as "Leaf Installation Skill Master Studio", and fully utilized the positive role of high-skilled talents in technological innovation, skill inheritance and grass-roots management; successfully implemented the equity incentive plan, formulated performance appraisal methods for the implementation of equity incentive targets, further established and improved the long-term incentive mechanism, and attracted and retained outstanding talents.

5. High quality development

During the reporting period, the Company accelerated scientific research and achieved fruitful product development. The Company emphasized product efficiency improvement, parameter improvement, technology update and product development, and focused on difficult projects in the fields of large air separation, large ethylene, subcritical, high back pressure and low-pressure waste heat utilization, etc., and accepted 29 key research projects and completed the approval of 38 new product development and key research projects, including 15 new products, creating a record high. The Company's two projects, namely "R&D and Application of Steam Turbine for Nuclear Island Emergency Auxiliary Feed Water Pump" and "Low-quality Energy Efficient Utilization Technology and Application", won the first prize of Zhejiang Machinery Industry Federation's 2021 Science and Technology Award; "R&D and Application of Key Technologies for Efficient and Reliable Blades of Industrial Steam Turbines" won the first prize of Provincial Scientific and Technological Progress; "The Last Blade of Low-pressure Stage Group of Large-flow Air-cooled Steam Turbine" won the China Patent Excellence Award.

II. Performance of the Board of Directors according to law during the reporting period

(I) Perform work duties according to law and improve the level of scientific decision-making

1. About Board Meetings

In 2021, a total of 12 Board meetings. The Board of Directors of the Company deliberates important transactions such as related party transactions, entrusted financial management, investment, guarantee, asset disposal, equity acquisition, absorption and merger of subsidiaries, etc., and carries out decision-making approval on corporate governance matters such as institutional adjustment, appointment of managers, supplement of directors, write-off of assets impairment, change of accounting policies, profit distribution, executive compensation, equity incentives, renewal of accounting firms, and amendment of articles of association.

2. Information about the Independent Directors' Duty Performance

Independent directors of the company attended relevant meetings in strict accordance with the Company Law, Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange, Guiding Opinions on Establishing Independent Director System in Listed Companies and other relevant laws and regulations, carefully reviewed all proposals of the Board of Directors, diligently and responsibly expressed independent opinions, and fully played the role of independent directors. For details of performance of duties, please refer to the Debriefing Report of Independent Directors of the Company.

3. Information about the Duty Performance of Special Committees

The Board of Directors shall set up special committees such as audit, remuneration, strategy and nomination. During the reporting period, the Company organized 9 special committees of the Board of Directors. The Audit Committee has played a professional role in communicating with independent directors and audit institutions and deliberating the Company's periodic reports and major financial matters; According to the Company's remuneration assessment methods and assessment settlement, the Remuneration and Assessment Committee put forward specific remuneration schemes that were beneficial to long-term incentives for the Company's directors and executives, and reviewed the draft equity incentive plan and equity incentive management measures drawn up by the Company; The Strategy Committee fully discussed the Outline of the 14th Five-Year Development Strategic Plan; The Nomination Committee strictly examined the qualifications and procedures of the candidates to be appointed as executives and directors.

(II) Continuously improve the corporate governance system and ensure the company's compliance in operation

1. Revise the Remuneration Management System for Directors and Senior Managers, and form a long-term incentive and restraint mechanism for the remuneration assessment of directors and senior managers of the Company in combination with the remuneration level of the same industry and the

requirements of state-owned asset supervision. Formulate the draft equity incentive and equity incentive assessment method, implement restricted stock incentives for directors, senior executives, other leaders and backbones of the Company for the first time, and form the long-term performance assessment mechanism of the Company together with remuneration assessment, effectively combining the interests of shareholders, the interests of the Company and the personal interests of the core team, so that all parties can pay attention to the long-term development of the Company together.

2. Amend the Articles of Association and adjust the number of Board of Directors, Board of Supervisors and vice chairmen. Adjust the personnel of special committees of the Board of Directors to further improve the corporate governance structure. According to the special governance requirements of listed companies, ensure the independence of the Company in assets, finance, institutions and business, and conduct self-examination on important matters such as related party transactions, related party capital exchanges, external guarantees, internal control construction, information disclosure management, insider information management, and commitments of controlling shareholders, so as to ensure the standard operation of corporate governance.

(III) Strengthen the management of information disclosure and well ensure the control of insider information circulation

In 2021, the company issued a total of 121 announcements, The information disclosure is true, accurate, complete, timely and fair, and the listed company's information disclosure obligations are fulfilled in compliance. Strengthen active information disclosure, ensure that investors are aware of the major issues of the Company in time, and guarantee investors' right to be informed to the greatest extent.

The Board of Directors has formulated and effectively implemented the insider information management system, defined the scope of insiders of insider information, and strengthened the accountability for insider information disclosure. Directors, supervisors, senior managers and information disclosure related staff of the Company strictly abide by the system requirements and control the transmission range of inside information in the actual work. The Company has strictly registered and managed insiders of inside information, reminded relevant personnel in writing to keep confidential and signed confidentiality commitments, and continuously strengthened the work of keeping confidential the insider information.

(IV) Strengthen the management of investor relations and earnestly protect the rights and interests of investors

The company provided a convenient communication platform for investors and answered investors' questions on the "Interaction Platform" of Shenzhen Stock Exchange. It paid attention to public opinion monitoring, acquired the reports and evaluations of investors, capital markets and

media on the company, and actively fed back investors' attention to the company. The company held online collective reception day activity for investors to establish a good interactive relationship with investors. The Company has held online investor performance briefing and investor reception day activities, explained the Company's periodic reports and investors' concerns, and established a good interactive relationship with investors.

(V) Effectively implement the resolutions of the shareholders' meeting and implement a prudent dividend policy

In 2021, the Board of Directors of the company convened 5 general meetings of shareholders, Review the Company's major business decisions and major governance issues. The Board of Directors timely implemented the resolutions of the General Meeting of Shareholders, and completed all work authorized by the General Meeting of Shareholders.

The Company's profit distribution policy has maintained its continuity and stability. In 2021, it implemented the 2020 profit distribution plan and distributed RMB 184 million to all shareholders. In 2021, it is planned to distribute RMB 302 million to all shareholders in cash, and distribute 3 shares for every 10 shares with undistributed profits.

III. Development prospect

(I) Development strategy and business plan for 2022

2022 is a crucial year for the Company to promote the reform of state-owned enterprises and implement the "14th Five-Year Plan", and it is a vital year as a link between past and future and the future and to achieve high-efficiency and high-quality development. In 2022, the Company will further consolidate the market, steadily promote business transformation and resource integration, accelerate innovative development and digital transformation, and strive to promote the high-quality development of the enterprise.

1. Consolidate the market

Strengthen the joint sales of drive power generation, realize the complementation and sharing of market resources, strengthen the promotion of thermal power market, compete for the contract orders of small and medium-sized drives, expand new fields such as waste heat power generation, tap the potential demand of thermal power and coal chemical industry market, and progress on the road of coordinated development of traditional plate and new energy plate.

Pay attention to the evolution direction of environmental protection policy and the trend of energy market, seize the window period of carbon reduction and emission decrease in stock market, and actively expand the market of complete works and services. Focus on the quality of contract performance, speed up inventory clearing, strengthen the dynamic control of production and sales linkage, ensure the stability of sales revenue, and lay a solid foundation for the Company's "14th

Five-Year Plan" development.

2. Digital leading

Deepen data thinking, realize traditional business datamation, and make data the core resource and asset of enterprises. Promote the hardware guarantee, transformation and upgrading of the Company's PLM, MES, CRM, SRM and other information systems. Well ensure ERP project implementation, accelerate ERP application integration, promote enterprise management innovation, and cultivate the Company's own ERP O&M team. Build a production control system, realize digitalization and visualization of the whole process, carry out emerging projects such as quality traceability and 5G+ technology, improve the inter-departmental administrative efficiency of the enterprise and reduce operating costs.

Continue to promote the protection capability of information security system and the guarantee of information infrastructure construction, and realize the general trend of O&M technology intelligence. Complete the selection and application of the Company's cloud design platform, explore the application of the industrial Internet to effectively reduce costs and increase efficiency, and speed up the challenge of digital visualization with high requirements in industrial field. Accelerate the pace of intelligent manufacturing, continue to well ensure the wide application of rotor intelligent manufacturing, explore intelligent manufacturing schemes for blades, shell parts and toxic and harmful types of work, and promote the construction of intelligent factories.

3. Format transformation

Further promote the implementation of the key account management system and major service framework. With the development of stock market and the expansion of new energy business as carriers, improve the quality of full-cycle technical service of core users. Relying on the construction of "Joint Development Center for Innovation and Efficiency Technology of Petrochemical Rotating Equipment", improve the enterprise-level database, formulate an efficient inspection mechanism, optimize the online diagnosis system, strengthen the data analysis function, provide targeted and personalized aggregation services for core users, effectively promote the digital empowerment of marketing business and promote the process of business integration.

Explore the low-carbon blue ocean market and add green power. Make good use of the diversified development of new energy company design and general contracting qualification, and gradually expand to EPC, so as to further enrich the product line. Extend the after-sales service business from single product service to diversified product set growth service, increase the added value of products and services, create value for customers, and well build an ecosystem for O&M services.

4. Innovative development

Take design cost reduction as the major technical development direction in the future. Promote

systematic, integrated and complete R&D mode to meet personalized market demand, seize the market opportunities of large air separation unit and large ethylene unit, attach importance to the market of thermoelectric transformation, optimize the efficiency of back pressure generator unit, expand the high-efficiency utilization technology and application demonstration for low-quality energy, and well ensure technology promotion and unit development for low-pressure ultra-low-pressure waste heat steam utilization, as well as the coverage of practical application stage.

Continue to promote the development of supercritical carbon dioxide prototype, and promote the upgrade of steam turbine unit container 2.0. Improve the digital delivery capacity building, carry out the three-dimensional layout pilot, and complete the version change and update of the random data.

Complete implementation verification of technical improvement with low vibration index and CNAS certification of physical and chemical laboratory. Continuously optimize and improve the control measures of self-inspection and quality spot check in the processing and assembly stages, ensure the closed-loop verification of quality problems, strictly implement the quality assessment system, and help the manufacturing capacity to step up.

The Board of Directors of the company will continue to fulfill its information disclosure obligations in strict accordance with the Company Law, Securities Law, Stock Listing Rules of Shenzhen Stock Exchange, Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange and the Articles of Association, and effectively improve the standard operation level of the company.

It will constantly strengthen the construction of investor relations management, promote the company to maintain a good interactive relationship with investors, earnestly protect the investors' participation rights, protect investors' legitimate rights and interests, improve corporate governance, build market consensus, and establish a good image of the capital market.

The Board of Directors of the company will continue to work honestly, diligently, actively and solidly, maintain its determination, focus on its core business, and promote the high-quality development of the enterprise, so as to safeguard shareholders' interests, enhance investors' confidence and provide a strong guarantee for the sustainable and healthy development of the company!

The Board of Directors of Hangzhou Steam Turbine Co., Ltd.

March 31,2022